

## REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

XTO Energy  
810 Houston Street  
Fort Worth, TX 76102-6298

Township 22 North, Range 59 East  
Section 18: ALL  
Section 19: ALL  
1301.48 Acres  
Richland County

State Tract(s):  
**Section 19:** Yellowstone River Bed  
Acres: 72.71; Trust: Common Schools

XTO Energy has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

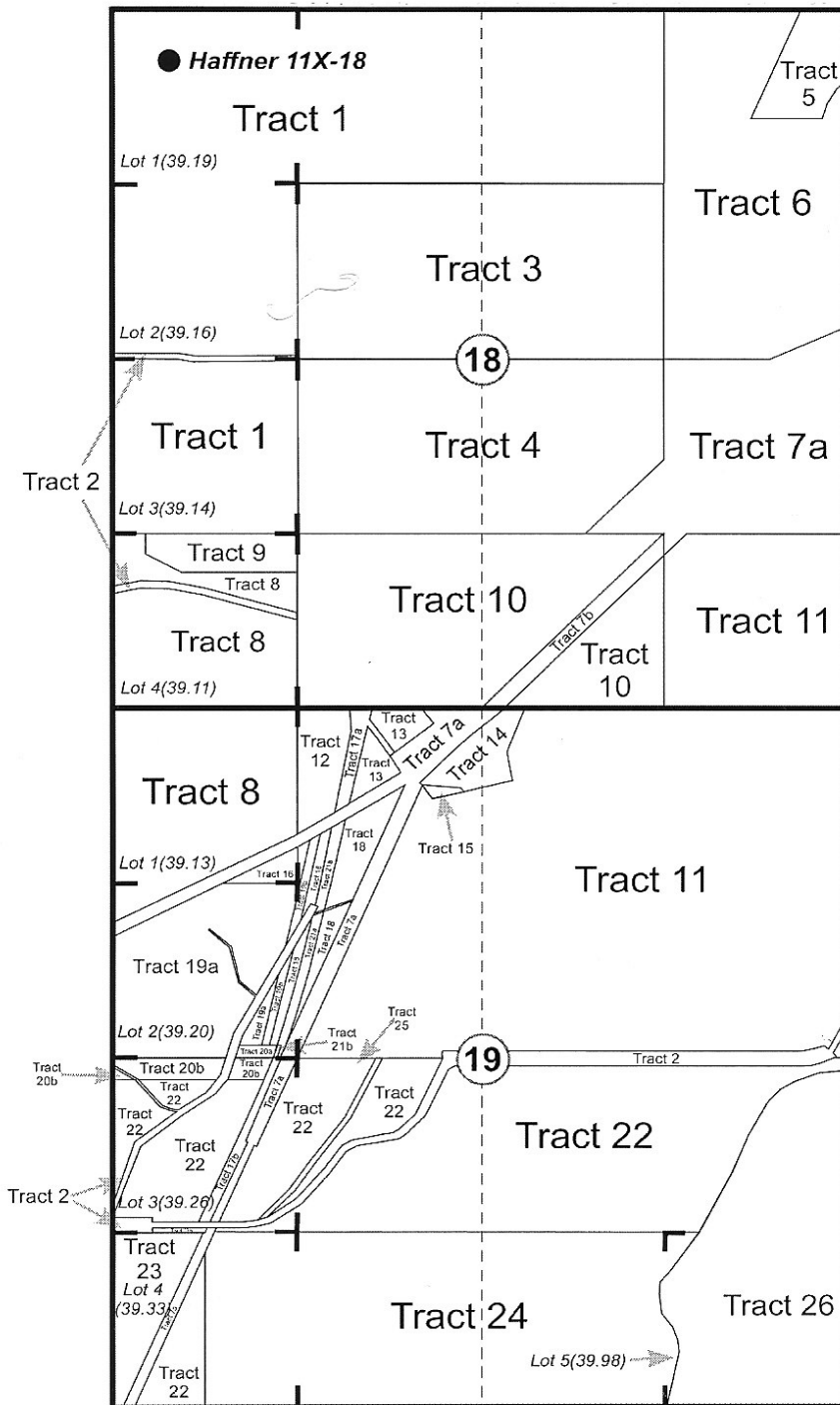
A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The Haffner 11X-18 well, which is a tri-lateral Bakken formation oil well, was drilled in the NW¼NW¼ of Section 18. This permanent spacing unit has a total of 1301.48 acres. The State owns a total of 72.71 acres of the 1301.48 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes the Bakken formation in Sections 18 & 19.

The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The State will consequently receive 0.72 % of all oil production (13% royalty rate x 5.59% tract participation), and 0.69% of gas production (12.5% royalty rate x 5.59% tract participation) for Tract 26.

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

# Township 22 North, Range 59 East



Section 18

Section 19

\* See next page for complete recapitulation table

## Recapitulation

Montana Oil & Gas Lease No.	Tract No.	No. of Acres Committed	% of Interest in Communitized Area	Royalty Rate	Owners Interest
<i>OG-34961-03</i>	26	72.71	5.5867%	13.00%	0.7263%
<i>Fee Owners</i>	1-25	1228.77	94.4133%		
<b><i>Total</i></b>	<b><i>26</i></b>	<b><i>1301.48</i></b>	<b><i>100.00%</i></b>		

The Operator of the communitized area will be XTO Energy